



May 25, 2016

The Honorable David Vitter
Chairman
Committee on Small Business & Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, D.C. 20510

The Honorable Jeanne Shaheen
Ranking Member
Committee on Small Business & Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Vitter & Ranking Member Shaheen:

I write to express support for the “Small Business Lending Oversight Act of 2016.” As you are both aware, the National Association of Government Guaranteed Lenders (NAGGL) is the national trade association that represents over 800 private-sector banks and financial partners who make 7(a) loans through the Small Business Administration’s (SBA) flagship loan program to tens of thousands of small businesses every year. The 7(a) loan program is a rare example of a public-private partnership that truly works. As with any program that sees great success over the years, it has been and will continue to be the appropriate role of Congress, SBA, and the industry to work together to assure appropriate oversight. We thank both you and your staffs for personally approaching the industry as you’ve both tackled oversight questions, for taking the time to personally speak to a large array of lenders, and for being willing to work through a number of our concerns—I hope the feedback you each have received from the lending community also gives you great confidence that this is a program worth protecting on behalf of small businesses.

We are aware that some policy makers have raised questions about whether the loans being made are reaching the borrowers this program is intended to serve and whether the participating lenders are taking on appropriate levels of risk. We believe this bill, on balance, provides the tools and resources necessary to improve lender oversight in a measurable way. The program is only as strong as SBA’s ability to encourage good behavior and conduct enforcement on bad behavior. As we look to new levels of success in reaching tens of thousands of small businesses, I am proud to have the opportunity to join our voice with yours as you call for a closer look into how we can support SBA and how its stewardship over this critical program can be strengthened.

Over 2,000 private-sector banks and financial services partners provided loans to over 63,400 small businesses in FY15 that created or retained over 500,000 jobs. These loans are made by private-sector lenders with their own capital based on their own financial decisions. The loans do not compete with the private sector because, by statute, the lenders that participate in the 7(a) program are only allowed to make the loans if the small business borrowers cannot obtain credit elsewhere. This important credit elsewhere aspect of the program is at the heart of what we do as 7(a) lenders, especially in a climate where loans to small businesses are often deemed the most risky by lenders and most often fall outside of the conventional credit box. What is more is that this lending program requires no appropriation dollars. In fact, the program is actually returning money to the Treasury and to local economies through job creation and tax revenue from the small businesses either created or supported through 7(a) lending, variables that are often hard to quantify and, therefore, all too often overlooked.

The recent growth in the program to meet increasing small business borrower demand should be applauded—it means tens of thousands of jobs and continued successful support of our country’s small businesses. This growth also has very good reason; as the conventional credit box shrunk post-Recession, the stagnated economy provided the perfect growing conditions for a boom in a credit elsewhere program. Inherently, if private-sector lenders provide capital to those financially viable and healthy small businesses who cannot get capital elsewhere, then a post-Recession economy is the time one should expect to see such a loan program grow to fill the void the Recession left in small business lending.

However, with rapid and significant growth comes the very serious responsibility of working with our partners to ensure that SBA has the resources necessary to ensure proper oversight and that Congress has confidence that the program is being appropriately held accountable. It is a fair question to ask if SBA's oversight has grown commensurate with the very large surge in volume. Our partners have always strongly supported the 7(a) program and the small businesses that the program serves. But, equally important to the lenders, and to NAGGL, is our historical support for necessary and prudent oversight. We define success not just in the volume of loans being made by the industry, but also in the quality of loans reaching small businesses.

I stand at the ready to continue serving as a resource to both Congress and SBA as we all strive for continued oversight.

Sincerely,



Anthony R. Wilkinson
President & CEO, National Association of Government Guaranteed Lenders (NAGGL)